



Fiscal Year 2017 Problems

Joint Legislative Committee on the Budget

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Commissioner of Administration



The Making of a Fiscal Disaster

- \$326 million unfunded when Fiscal Year 2017 started, including:
 - TOPS - \$87.7 million
 - MFP - \$24.2 million
 - Non-public school assistance - \$6.9 million
 - Acadiana Center for Youth – delay opening - \$14.198 million
 - Frozen waiver slots - \$8.6 million
- \$67 million in treasury accounts JLCB directed to be used for FY16 expenses instead of FY17
- \$276 million in state and federal flood recovery work that state departments are paying out until federal funds come in:
 - State - \$30.32 million
 - Federal- \$246.2 million
- Two budget deficits prompting major reductions in state agency spending:
 - \$312.66 million – revenue shortfall from FY16 that had to be closed in FY17
 - \$304.22 million – revenue shortfall certified for FY17

How Fiscal Year 2017 Began



- All branches of government received budget reductions:

| | |
|--|----------------|
| Executive Branch | -\$303,175,341 |
| Local Housing of State Inmates | -\$7,662,500 |
| Judicial Branch | -\$8,307,964 |
| Legislative Branch | -\$7,335,281 |
| | |
| Total Budget Reductions at the Start of FY17 | -\$326,481,086 |

Additional Reductions Required for the Fiscal Year 2016 Close-out Period



- Act 601 of the 2016 Regular Session (Funds Bill) required transfers to the general fund from prior years
- These outstanding transfers were from FY11 forward
- The late implementation of these transfers from prior years had remained “on the books” in the state treasury
- Without completing these transfers, FY16 would have been short an additional \$67 million

Which Agencies were Cut to Complete the Outstanding Transfers?



| | | | |
|-----------------------|---------------|-------------------|---------------|
| Executive | -\$4,457,147 | Elected Officials | -\$2,835,938 |
| Economic Development | -\$256,000 | CRT | -\$26,450 |
| DOTD | -\$35,494 | Public Safety | -\$615,586 |
| LDH | -\$1,100,306 | DCFS | -\$2,500 |
| Natural Resources | -\$472,912 | Revenue | -\$3,452,424 |
| Environmental Quality | -\$597,578 | Workforce | -\$100,803 |
| Other Requirements | -\$574,483 | Capital Outlay | -\$52,475,522 |
| Total Transfers | -\$67,003,143 | | |

Budget Reductions due to Fiscal Year 2016 Deficit



- At the end of the Second Special Session, the Governor warned the Legislature that Fiscal Year 2016 would likely end in a deficit due to lower than expected corporate tax receipts
- The collections for corporate taxes and also individual income taxes failed to meet the revenue forecast
- All Executive Department agencies were advised in July to reserve funds up to 5% of their budget to help resolve the expected shortfall
- Fiscal Year 2016 ended with a deficit of \$312,665,008, which was greater than anticipated

Budget Reductions due to Fiscal Year 2016 Deficit



- Agencies were asked to use their attrition savings and other savings to address the prior year shortfall.
- We also asked the Joint Legislative Committee on the Budget to push the 13th managed care payment to the Healthy Louisiana companies (formerly Bayou Health) into FY18 by delaying the payment by two weeks.
- Fiscal Year 2017 will still include making 12 managed care payments



Fiscal Year 2017 Deficit

- On Jan. 13, 2017, the Revenue Estimating Conference revised the base forecast for the current year
- Reductions primarily in corporate and individual income tax lowered the forecast
- After budget adjustments, the second deficit for Fiscal Year 2017 is \$304,754,598
- As we propose to resolve the deficit, we are considering the prior reductions and unbudgeted emergency expenditures impacting each agency

Fiscal Year 2017 Deficit



- By the time this deficit is resolved, government will have faced more than \$1 billion in reductions and adjustments over the last seven months
- In addition, agencies are also covering another \$246 million in disaster expenditures while waiting on federal reimbursement
- This budget imbalance is reflected in the state treasury cash flow issue and the necessity to use revenue anticipation notes to pay bills

Current Cumulative Budget Reductions and Adjustments for Fiscal Year 2017



| | | | |
|-------------------------|-----------------------|-------------------|---------------|
| Executive | -\$19,016,157 | Elected Officials | -\$12,094,270 |
| Veterans Affairs | -\$399,415 | Corrections | -\$15,176,903 |
| Economic Development | -\$4,556,000 | CRT | -\$4,999,923 |
| DOTD | -\$5,351,359 | Public Safety | -\$6,536,771 |
| LDH | -\$356,561,726 | DCFS | -\$9,871,103 |
| Natural Resources | -\$2,132,028 | Revenue | -\$35,371,103 |
| Environmental Quality | -\$2,379,092 | Workforce | -\$1,836,003 |
| Wildlife | -\$4,305,375 | Civil Service | -\$134,312 |
| Higher Ed and TOPS | -\$100,823,096 | Special Schools | -\$1,058,208 |
| Department of Education | -\$43,259,339 | HCSD | -\$2,316,285 |
| Other Requirements | -\$9,222,408 | Capital Outlay | -\$52,475,522 |
| Judiciary | -\$8,307,964 | Legislative | -\$7,335,281 |
| TOTAL | -\$719,973,561 | | |



Important Dates

- Jan. 27 – Joint Legislative Committee on the Budget recognizes deficit
- Feb. 6 – Gov. John Bel Edwards releases plan for budget reductions
- Feb. 13 – Special session begins
- Feb. 23 – Session ends
- Feb. 27 – Expiration of 30-day period to resolve the \$304 million deficit